

FDIC State Profile

Winter 2004

New Mexico

Once again, New Mexico employment growth outshines the nation.

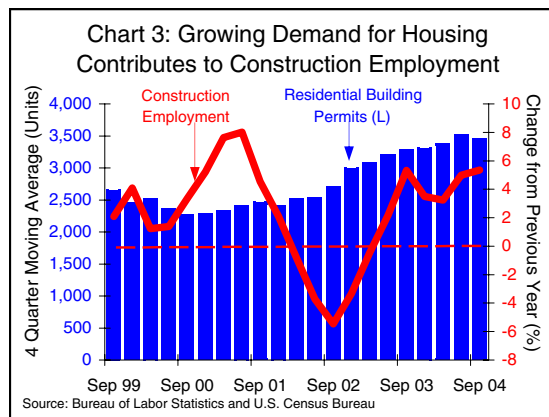
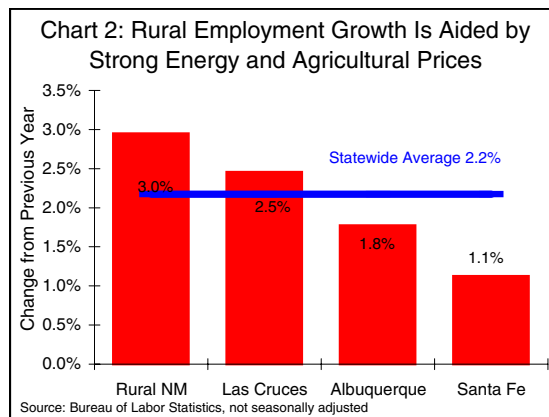
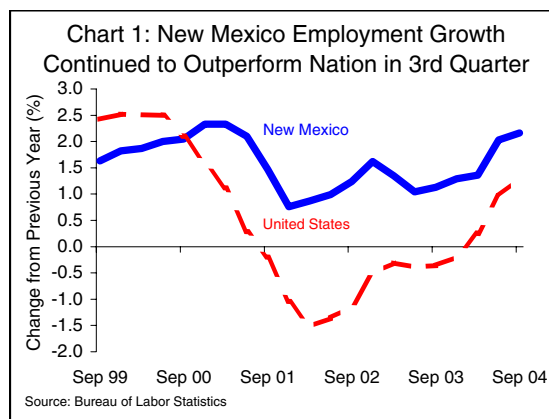
- New Mexico ranked in the top quintile among states in both employment and personal income growth in third quarter 2004 (See Chart 1). Contributing to this growth has been strong performances in the state's natural resources and mining and construction sectors. With the exception of the manufacturing and information sectors, however, job growth is occurring in all of the state's major industry sectors.
- Growing U.S. and world economies, further gains in defense and information technology spending, high commodity prices, and the absence of major imbalances should allow New Mexico to remain among the top performing states, with job growth of between 2 and 3 percent.

Strong energy and agricultural commodity prices are aiding New Mexico's employment growth.

- High energy prices, combined with favorable agricultural prices and improved pricing power in other mining industries, have allowed job growth rates in rural New Mexico to outpace the state's metropolitan areas (See Chart 2).
- Low business and living costs, coupled with a healthy economy and desirable amenities, should continue to attract out-of-state businesses and residents to the outlying areas of the state.

Robust construction has aided the state's economy.

- The construction industry has also provided a major impetus to New Mexico's economic growth.
- The boom in statewide housing, created by favorable financing and strong housing demand, has resulted in robust gains in construction employment (See Chart 3).
- The likelihood of further domestic in-migration, fueled by a growing number of retirees, should keep construction activity at a high level in 2005.
- Strong gains in employment and income will mitigate the effects of a modest rise in mortgage rates. Additionally,



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an increase in nonresidential construction spending for commercial, industrial and public projects should also contribute to industry and statewide growth.

New Mexico bank deposit and branch growth remain steady.

- As of June 30, 2004, total deposits in New Mexico grew to \$18.2 billion, ranking 45th in the U.S.
- New Mexico's population increased 4.5 percent over the past five years, slightly below the national average. The state ranked 25th in the country for the most rapid branch growth during the past ten years and ranked 8th in deposit growth.¹
- Deposit growth is likely coming from an influx of retirees, steady and high-paying jobs at government labs and bases, and new firm creation.
- While small banks (less than \$1 billion in assets) have maintained a steady level of deposits, large banks (both in state and out-of-state) have experienced the lion's share of deposit and office growth (See Chart 4).
- In comparison with rural counties, metropolitan areas hold a slightly increasing share of branches, rising to 56 percent as of June 30, 2004, up from 54 percent ten years earlier. Similarly, deposits have increased to 64 percent in 2004, up 4 percentage points from 1994.

New Mexico insured institution performance—steady as she goes.

- Only 58 insured institutions were headquartered in New Mexico as of September 30, 2004; three quarters of those institutions have less than \$250 million in assets. Insured institution operating results typically remain in a healthy range, and the current quarter is no different.
- Credit quality continues to improve as evidenced by ten-year low past-due and charge-off rates.

Solid New Mexico real estate growth is prompting strong demand for construction lending.

- New Mexico commercial and residential real estate building permits remain exceptionally vibrant, prompting insured institutions to grow construction lending to record levels. Construction and development loans at New Mexico insured institutions represented 13.4 percent of total loans as of September 30, 2004, more than twice the national rate (See Chart 5).

- New Mexico insured institutions reported stable residential loan past-due rates that were below national levels. However, mortgage foreclosure rates remain above the national average and are an area to watch, especially if long-term interest rates rise.
- Rapid growth in commercial real estate (CRE) lending for New Mexico insured institutions reached record levels and now represents 29 percent of total loans, or twice the national rate.
- One area of concern is noted in the **Albuquerque** industrial CRE segment. While industrial availability rates nationwide have declined for two consecutive quarters, the Albuquerque industrial rate has increased 90 basis points. According to Torto Wheaton Research, Albuquerque industrial availability is expected to weaken further in 2005 as manufacturing and distribution properties continue to consolidate in larger markets.

Chart 4: Large Institutions Drive New Mexico's Branch Deposit Growth

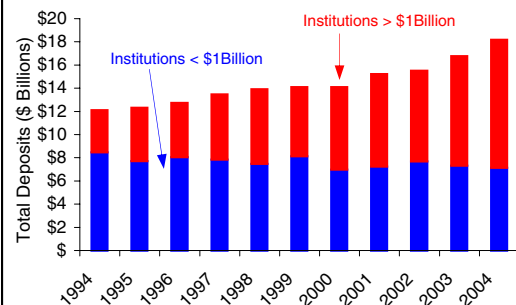
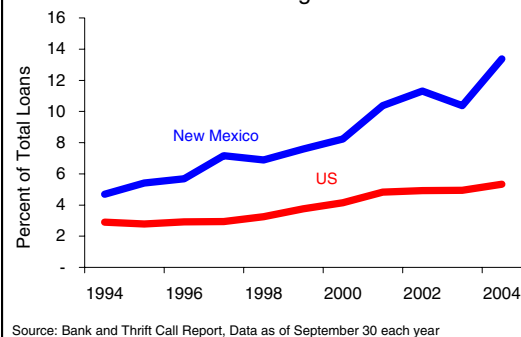


Chart 5: Strong Real Estate Growth Propels Construction Lending In New Mexico



¹Based on a compounded growth rate for offices other than main office locations.

New Mexico at a Glance

General Information	Sep-04	Sep-03	Sep-02	Sep-01	Sep-00
Institutions (#)	58	60	61	62	61
Total Assets (in thousands)	15,560,786	19,550,395	18,103,942	18,114,767	18,215,999
New Institutions (# < 3 years)	1	4	6	7	6
New Institutions (# < 9 years)	12	12	12	11	9
Capital	Sep-04	Sep-03	Sep-02	Sep-01	Sep-00
Tier 1 Leverage (median)	8.73	8.65	9.06	8.67	8.72
Asset Quality	Sep-04	Sep-03	Sep-02	Sep-01	Sep-00
Past-Due and Nonaccrual (median %)	1.43%	1.87%	2.10%	2.36%	2.02%
Past-Due and Nonaccrual >= 5%	6	8	9	8	6
ALLL/Total Loans (median %)	1.32%	1.35%	1.37%	1.28%	1.26%
ALLL/Noncurrent Loans (median multiple)	1.85	1.51	1.54	1.24	1.57
Net Loan Losses/Loans (aggregate)	0.24%	0.26%	0.40%	0.49%	0.41%
Earnings (Year-to-Date Annualized)	Sep-04	Sep-03	Sep-02	Sep-01	Sep-00
Unprofitable Institutions (#)	4	4	6	5	6
Percent Unprofitable	6.90%	6.67%	9.84%	8.06%	9.84%
Return on Assets (median %)	1.10	1.15	1.10	1.08	1.25
25th Percentile	0.77	0.78	0.66	0.58	0.67
Net Interest Margin (median %)	4.59%	4.53%	4.71%	4.87%	5.28%
Yield on Earning Assets (median)	5.70%	6.16%	6.89%	8.11%	8.46%
Cost of Funding Earning Assets (median)	1.21%	1.45%	1.90%	3.35%	3.53%
Provisions to Avg. Assets (median)	0.13%	0.13%	0.25%	0.23%	0.15%
Noninterest Income to Avg. Assets (median)	0.80%	0.90%	0.82%	0.76%	0.78%
Overhead to Avg. Assets (median)	3.26%	3.51%	3.41%	3.50%	3.61%
Liquidity/Sensitivity	Sep-04	Sep-03	Sep-02	Sep-01	Sep-00
Loans to Deposits (median %)	76.34%	72.75%	71.44%	69.66%	75.09%
Loans to Assets (median %)	61.68%	59.42%	60.52%	59.10%	63.46%
Brokered Deposits (# of Institutions)	8	9	9	8	4
Bro. Deps./Assets (median for above inst.)	3.02%	1.50%	2.43%	2.51%	6.64%
Noncore Funding to Assets (median)	20.67%	19.10%	21.56%	19.90%	19.72%
Core Funding to Assets (median)	68.52%	68.92%	67.85%	67.52%	68.28%
Bank Class	Sep-04	Sep-03	Sep-02	Sep-01	Sep-00
State Nonmember	32	32	33	33	32
National	14	15	15	15	16
State Member	3	4	4	4	3
S&L	4	4	4	5	5
Savings Bank	5	5	5	5	5
Stock and Mutual SB	0	0	0	0	0
MSA Distribution	# of Inst.	Assets	% Inst.	% Assets	
No MSA	40	9,942,184	68.97%	63.89%	
Albuquerque NM	10	2,342,833	17.24%	15.06%	
Santa Fe NM	5	2,917,040	8.62%	18.75%	
Las Cruces NM	3	358,729	5.17%	2.31%	